

2007-2008 PERFORMANCE PLAN – Chief Operating Investment Officer (A. Stausboll) Page 1 of 4

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	1 st Quarter Status
20%	Leadership	<p>Demonstrate leadership within CalPERS and in the external investment community, as both industry and staff (or team) leader. Dimensions, all of which will be considered, include:</p> <ul style="list-style-type: none"> • Within Investment Group (e.g., teamwork within and across asset classes, timely preparation of staff performance appraisals, appropriate employee recognition) • Trustees (e.g., written and oral presentations to Investment Committee and Investment Policy Subcommittee) • CalPERS (e.g., involvement in enterprise-wide initiatives and programs) • External Investment Community (e.g., relationships with external business partners and stakeholders, presentations at conferences and similar events, representation on external boards and committees) • Investment Policy (e.g., actively promote effective implementation of investment policy decisions made by the Chief Investment Officer and the Board) 	From schedule.	<p>In conjunction with Strategic Management Services Division (SMSD), coordinated strategic planning effort for Investment Office. Kick-off strategic planning session for Investment Office senior management was scheduled for October 2007.</p> <p>Initiated significant teambuilding and leadership development effort within Investment Office. Worked with SMSD to retain consultant firm. Interviews were conducted of Investment Office senior management and consultants, and cultural profile was developed. Project plan to coordinate the teambuilding and strategic planning efforts is underway.</p> <p>Worked with Chief Investment Officer, across asset classes, and with other branches of CalPERS to implement new Investment Office initiatives, including e.g., new Inflation Linked Asset Class, IT initiative, and on-site CFA training program.</p> <p>Participated in CalPERS-wide Leadership Strategic Planning Session and Leadership Workshop for Executive and Senior Management staff.</p> <p>Assisted in development of California Investment Conference.</p>

2007-2008 PERFORMANCE PLAN – Chief Operating Investment Officer (A. Stausboll) Page 2 of 4

Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	1 st Quarter Status
	Leadership (cont.)	<ul style="list-style-type: none"> Diversity (e.g., promote meaningful diversity among our investment partners and staff) Succession Plan (e.g., training and developing strong internal candidates to potentially fill my role in the future) 		<p>Coordinated and made improvements to All Investment Staff Forums to facilitate enhanced communication within office.</p> <p>Ongoing service as Board Member of United Nations Principles for Responsible (UN PRI), Toigo Advisory Board, and Ceres. Participated in UN PRI annual event in July 2007 and presented CalPERS case study. Participated in Ceres/Investor Network on Climate Risk (INCR) working group to develop UN Summit on Climate scheduled for February 2008; served as liaison to facilitate CalPERS participation in Ceres/INCR activities including September 2007 Call to Action, SEC rulemaking petition on environmental disclosure, Global Warming Shareholder Campaign meeting hosted at CalPERS.</p>
15%	Consultant Roles and Responsibilities	By June 30, 2008, complete review of the roles and responsibilities of the Board's independent investment consultants, and present findings and recommendations to Board.	From schedule.	<p>Administered staff and Board surveys to evaluate performance of Board's investment consultants. Surveys have been completed and results compiled. Report and recommendations to be presented to the Board at the January 2008 offsite.</p> <p>Oversaw Consultant Brock Capital Group LLC to effectuate project plan. Review of pertinent documents has been completed. Extensive interviews with Investment Office senior staff, current and past consultants, Board members, and peer groups completed. Findings and recommendations are being developed and will be presented to the Board at the January 2008 offsite.</p>
15%	Investment Products	Research potential additional products for CalPERS members and present findings and recommendations at January 2008 Board offsite.	From schedule.	Based on input received at the July 2007 offsite, researched and identified potential products that could be developed and offered to California public sector employers and employees. Worked with Legal Office to develop proposed legislation. Presentation scheduled for January 2008 offsite.

2007-2008 PERFORMANCE PLAN – Chief Operating Investment Officer (A. Stausboll) Page 3 of 4

Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	1 st Quarter Status
15%	Investment Staff Recruitment Strategy	By June 30, 2008, develop a comprehensive recruitment strategy for the Investment Office, with an emphasis on campus recruitment.	From schedule.	Met with Human Resources management regarding development of investment component of pending enterprise wide recruitment strategy, and developed high level project plan. Developed survey for Investment Office management to identify current recruitment activities, determine needs, and identify potential target campuses. Administered survey and compiled results.
20%	Unitization and Supplemental Income Plan Line-Up	<p>By June 30, 2008, determine feasibility of and obtain CIO approval for and implement a plan to unitize appropriate remaining portfolios (which could include, e.g., illiquid asset classes and externally managed portfolios) to enable enhanced product offerings by the SIPD, as well as improved asset allocation for the Affiliate Funds and the Annuitants' Healthcare Coverage Fund.</p> <p>By June 30, 2008, develop and implement the second phase enhanced product line-up for the Supplemental Income Plan, including e.g., asset allocation funds, retention of small/mid cap managers, and additional PERF offerings.</p>	From schedule.	<p>Conducted research on issues related to unitization. Began surveying other investor funds to identify best practices.</p> <p>Conducted RFP process for small/mid managers for the Supplemental Income Plan program. Proposed managers to be presented to the Investment Committee for approval in December. Conducted extensive research on target date asset allocation funds and developed plan for establishing CalPERS funds.</p>
15%	Redesign Investment Management Incentive Compensation System	By June 30, 2008, complete the redesign of the investment management incentive compensation system, for implementation 2008-09.	From schedule.	In conjunction with Human Resources, developed project plan and timelines, and presented them to Performance and Compensation Committee. Met with Investment Office Senior Management, along with Human Resources and Watson Wyatt, to communicate project plan, timeline and methodology, and to obtain input and address areas of concern. Met with Human Resources, Watson Wyatt and Wilshire Associates to discuss research methodology and issues. Preliminary research and analysis of public fund data completed. Next update to Performance and Compensation Committee scheduled for December 2007.
100%	Total	Qualitative Measures		

INCENTIVE PLAN CHANGE

Name Anne Stausboll Position Chief Operating Investment Officer

Part C: Modification of Performance Measure

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule
20%	Unitization and Supplemental Income Plan Line-Up	By June 30, 2008, determine feasibility of and obtain CIO approval for and implement a plan to unitize appropriate remaining portfolios (which could include, e.g., illiquid asset classes and externally managed portfolios) to enable enhanced portfolio product offerings by the SIPD, as well as improved asset allocation for the Affiliate Funds and the Annuitants' Healthcare Coverage Fund. By June 30, 2008, develop and implement the second phase enhanced product line-up for the Supplemental Income Plan, including e.g., asset allocation funds, retention of small/mid cap managers, and additional PERF offerings.	From schedule.

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule
20%	Unitization and Supplemental Income Plan Line-Up	By June 30, 2008, determine feasibility of and obtain CIO approval for a plan to unitize appropriate remaining portfolios (which could include, e.g., illiquid asset classes and externally managed portfolios) to enable enhanced portfolio product offerings by the SIPD, as well as improved asset allocation for the Affiliate Funds and the Annuitants' Healthcare Coverage Fund. By June 30, 2008, develop and obtain CIO approval for the second phase enhanced product line-up for the Supplemental Income Plan, including, e.g., asset allocation funds, retention of small/mid cap managers, and additional PERF offerings (subject to feasibility and implementation of the unitization framework).	From schedule.

Reason for proposed change:

Competing work load demands (including for example the development and implementation of the new Inflation Linked Asset Class, as well as administrative issues related to the growth of the Investment Office) have slowed progress on this project. In addition, both the unitization project and the development of the CalPERS asset allocation funds are more complex than originally anticipated, and both will require the use of external consultants. These are important projects and every effort is being made to continue to make progress. With this change, we will still be on track to implement the second phase of the SIP improved line-up in 2008, which was the original intent.